

# GRINDING THE BLADE OF COMPETITION

## *Beyond Knowledge Management in the Pharmaceutical Industry*

**Gunnar Rimmel**

[gunnar@viktoria.informatics.gu.se](mailto:gunnar@viktoria.informatics.gu.se)

Viktoria Institute, IT&Organization

P.O. Box 620, SE 405 30 Göteborg, Sweden

### **ABSTRACT**

The pharmaceutical industry faces a multitude of new challenges. Consumers are reluctant to spend more on healthcare, while their expectations grow. Healthcare providers use new methods to deliver better care for less money. Simultaneously, while these new methods will reshape the pharmaceutical industry, short-term profit pressure threatens the industry. These factors are pushing the pharmaceutical industry towards a much harder competition than it was used to.

In order to overcome the hurdles of this competitive climate, two broad strategies can be identified for pharmaceutical companies. The first strategy suggests a merger or acquisition, which appear to be the best answer to short-term pressure as well as to potential long-term pipeline gaps. For many companies an operational improvement program seems to be a feasible alternative strategy. In order to be successful with the chosen strategy, the management and protection of knowledge becomes a crucial success factor.

In the traditional paradigm of drug discovery, identifying new compounds was slow and expensive. Lacking a rapid and systematic approach for generating and screening compounds, pharmaceutical companies were able to discover and test only a small number of drugs. Cost control demands and time-line acceleration restricted the number of drug-variations analysed, which narrowed the data obtained to support a patent filing. Consequently, patents were written narrowly. Although patenting is essential, many pharmaceutical companies treat it more as a defensive rather than a strategic weapon to protect knowledge.

Patents around broader intellectual property spaces become apparent, even if the legal and regulatory side is still unclear. This new type of patents opens a tremendous opportunity. If they are upheld, they will fundamentally change the basis of competition. The value of a first-mover position will increase. Even if they are only partially upheld, patent strategies that create new and broader intellectual property are likely to enable pharmaceutical companies to lay claim to large segments of the market and effectively block out competitors.

Information technology is already critical to successful drug discovery. New methods require to process enormous amount of data. This amount of data will boost with an increasing share patenting. A truly innovative company will use information technology not only for data analysis but also to access information from internal and external sources to its employees. The winner in this industry would be the company that manages, accesses and interprets its information most intelligently.

The progress of science and technology, which is mainly a result of the highly competitive business environment, is likely to erode the old paradigm within the pharmaceutical industry. The increasing amount of information requires a proactive system to enable the protection and management of knowledge. The role of intellectual property in the pharmaceutical industry, as an outcome of knowledge management, transforms patenting from a supportive role into a strategic weapon to fight competition with. Hence, competition is shifting upwards along the value chain from the product towards the earlier stage of knowledge. The knowledge leaders are likely to conquer the value of tomorrow's market, while the followers risk to be closed out.